



- 1       **1.6. Injunctive Provisions:**       See Section IV  
2       **1.7 Civil Penalties:**           None  
3       **1.8 Attorney for Judgment Creditor:** Robert A. Lipson, Senior Counsel  
4       **1.9. Attorneys for Judgment Debtor:** Sally Garratt and Kevin Muck

5       Plaintiff State of Washington is acting by and through Attorney General Rob McKenna  
6 and Senior Counsel Robert Lipson of the Consumer Protection Division. It has brought this  
7 action pursuant to the Consumer Protection Act, RCW 19.86 et seq., and the Debt Adjusting  
8 Act, RCW 18.28 et seq., against Defendant Freedom Debt Relief, LLC ("Freedom"). The  
9 parties have consented to the entry of this Consent Decree and Judgment ("Judgment") to settle  
10 and resolve their dispute. This Judgment creates a consumer restitution program, provides for  
11 cy pres to the extent that restitution funds are unclaimed, imposes injunctive provisions,  
12 provides for the State to recover its costs and attorneys fees, and provides for a method of  
13 administering the restitution program.

14       NOW THEREFORE, upon the consent of the parties hereto IT IS HEREBY  
15 ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

## 16                               **II. BACKGROUND**

17       This Judgment is entered into by Freedom and by the Attorney General of Washington  
18 on behalf of the State. Freedom is a Delaware limited liability company with its principal  
19 place of business in San Mateo, California.

20       The State contends that Freedom is a debt adjuster for purposes of applying the Debt  
21 Adjusting Act, RCW 18.28. The State contends that (1) the Debt Adjusting Act, among other  
22 things, circumscribes the amount of fees that a debt adjuster can charge, when those fees are  
23 earned and can be taken, and imposes various operational limitations and requirements on the  
24 business of a debt adjuster; (2) the Consumer Protection Act applies generally to most business  
25 conducted in Washington or affecting Washington consumers, and prohibits unfair and  
26

1 deceptive acts and practices that occur in commerce and affect the public interest; and (3) a  
2 violation of the Debt Adjusting Act is also a per se violation of the Consumer Protection Act.  
3 The State contends that Freedom violated both the Debt Adjusting Act and the Consumer  
4 Protection Act. In particular, but without limitation, the State contends that Freedom charged  
5 its Washington consumers more than the Debt Adjusting Act allows, and that it took its fees at  
6 a time before that which is permitted by the statute. The State also contends that certain  
7 material facts relating to the risks and terms of the program were not adequately disclosed to  
8 consumers, that some consumers were misled or not adequately informed about how the  
9 program worked, and that some consumers were enrolled in the program without adequate  
10 regard to their ability to satisfy the program's requirements.

11 Freedom denies all these contentions. Freedom contends that it is not a debt adjuster  
12 for purposes of the Debt Adjusting Act, and that even if it were the amount and timing of its  
13 fees are consistent with and not in violation of the statute. Furthermore, it contends that all  
14 material information about the program was disclosed to consumers prior to enrollment, that no  
15 consumers were misled, and that appropriate regard was given to the suitability of the program  
16 for its consumers. The State launched a consumer protection investigation into the debt  
17 adjusting, debt relief, and debt negotiation industry beginning in late 2008 and early 2009, and  
18 its investigation of Freedom developed out of that. Freedom cooperated fully with the State's  
19 investigation. In an effort to resolve the investigation and any disputes regarding both  
20 Freedom's business practices and the application of the law to Freedom, and to afford  
21 consumers timely relief, Freedom and the State engaged in arms-length negotiations to see if  
22 an agreed resolution was possible. This Judgment is that agreed resolution.

23 Freedom enters into this Judgment for purposes of settlement only, and without  
24 admission of any wrongdoing or liability. Freedom disputes any allegations of wrongdoing  
25 and liability made by the State. Freedom and the State do not agree about whether and how the  
26 Debt Adjusting Act applies to Freedom's business model. Freedom also disputes that the

1 amount or timing of its fees is in any way violative of the statute. The parties agree that  
2 nothing in this Judgment shall constitute an admission or concession by Freedom of any fault,  
3 liability or wrongdoing as to any facts or claims that have been or might be alleged or asserted  
4 in connection with this matter, or any other action or proceeding that has been, will be, or  
5 could be brought, and shall not be interpreted, construed, deemed, invoked, offered, or  
6 received in evidence or otherwise used by any person or in any other action or proceeding,  
7 whether civil, criminal or administrative, for any purpose other than as provided expressly  
8 herein. The parties have agreed that, to avoid the costs, disruption and distraction of further  
9 proceedings, it is desirable that this matter be settled and dismissed on the terms reflected in  
10 this Judgment. The parties have concluded that such resolution is fair, just and reasonable.

11 Freedom's business is to act as a debt negotiator on behalf of its customers. It  
12 advertised that consumers who owe large amounts of unsecured debt, usually \$10,000 or more  
13 and typically credit card debt, can have their debt negotiated in 18 to 48 months at 40-60% of  
14 the balance then owing. Freedom's program is only available to those already in financial  
15 hardship and who are already or soon will be unable to meet their minimum monthly credit  
16 payments. Freedom informs prospective clients that debt negotiation is only appropriate for  
17 those consumers who can no longer afford to make monthly payments to their unsecured  
18 creditors without experiencing financial hardship. Such consumers have stopped making  
19 payments to their unsecured creditors thus allowing those accounts to go into default and age.  
20 Consumers contribute a smaller monthly sum to a dedicated bank account controlled by the  
21 consumer out of which the consumer authorizes the payment of Freedom's fees and in which  
22 over time settlement funds build up. As funds accumulate in the consumers' dedicated bank  
23 accounts, the delinquent creditor accounts age, remain in default and often grow larger because  
24 of added interest, late fees and penalties. The average accretion on an individual account from  
25 the time the account is enrolled with Freedom until the time the account is settled by Freedom  
26 is 21%. This means that a typical 42% settlement on the accreted balance translates into

1 approximately 51%-52% of the balance at time of enrollment. Ultimately, the creditor must  
2 decide whether to write off the account since it has not been paid for months, settle for less  
3 than full value, or sue. Freedom leverages this decision point, and the fact that the customer  
4 has managed to save up sufficient funds for a settlement, to negotiate with the creditor and  
5 attempt to settle the consumer's debts for a fraction of the current balance. If an offer for such  
6 a settlement is successfully negotiated and approved by the consumer, the consumer then pays  
7 the settlement amount directly to the creditor, out of the dedicated bank account which the  
8 consumer, and only the consumer, controls.

9 Freedom's fees vary to some extent but are generally 15% of the debt as measured at  
10 the time of enrollment. For a typical program initiated prior to October 27, 2010, Freedom  
11 would collect its fee over the first 18-24 months of the program but in no event over less than  
12 the program half-life. About one-third of the total fee (or 5% of the total enrolled debt) is  
13 deducted with the consumer's express written authorization from the dedicated bank account  
14 over the first 3-6 months of the program, and the remaining two-thirds of its fee (or 10% of the  
15 total enrolled debt) is deducted with the consumer's express written authorization over the next  
16 15-18 months of the program.<sup>1</sup>

17 Freedom began operating in Washington in 2003. Since then it has had about 1,100  
18 Washington customers. Some consumers dropped out of the program before any debts were  
19 settled, some dropped out after some but not all enrolled debts were settled, some successfully  
20 completed the program, and some are still in the program.

21 Total enrolled debt from Washington consumers since Freedom began doing business  
22 in Washington amounts to approximately \$35,000,000. Of that, approximately \$9,000,000  
23 worth of enrolled debt has been negotiated and settled for approximately \$4,900,000. At the  
24 time of those settlements, because of added interest, late fees, and penalties, the value of that

---

25 <sup>1</sup> In response to new federal regulations that went into effect on October 27, 2010, Freedom's fee  
26 structure has changed significantly from that described above.

1 enrolled, settled debt had increased to \$11,000,000. An additional \$1.2 million of enrolled  
2 debt was resolved by putting these accounts on long term payment plans. The fees Freedom  
3 has taken for its services amounts to \$3,415,482. For purposes of this settlement, all monetary  
4 amounts are calculated as of May 10, 2010.

5 Since March 2009, Freedom has not enrolled any new Washington clients in its  
6 program. Furthermore, Freedom has indicated that unless and until legal questions are  
7 authoritatively answered relating to the Debt Adjusting Act, how the Act applies to Freedom's  
8 business model, what are its allowable fees, and the timing of those fees, it intends and will not  
9 take any new Washington clients.

### 10 III. RESTITUTION AND CY PRES

11 Freedom has collected \$3,415,482 in fees from Washington consumers as of May 2010.  
12 For purposes of this settlement, Freedom may keep as a fee 15% of the amount of all enrolled  
13 debts that have been settled, as well as 15% of the amount of those enrolled debts currently in  
14 active debt negotiation programs. The allowed fee is based and calculated on the debt as  
15 measured at the time of enrollment in the program. Using Freedom's statistics, which Freedom  
16 believes are substantially correct and true, Freedom shall therefore be allowed to keep  
17 \$2,672,869 as earned fees. Likewise, Freedom must reimburse its clients for all fees paid that  
18 are associated with enrolled debts that were not settled or which are not in active debt  
19 negotiation programs. Freedom thus shall provide restitution to Washington consumers in the  
20 amount of up to 82.5% of their allowable claim, but in no event less than \$742,613.  
21 Restitution in this case shall be considered a refund or reimbursement to consumers of certain  
22 fees as described in this section.

23 The amount of \$742,613 shall be paid by Freedom for all valid claims filed pursuant to  
24 this Judgment. After payment of all valid claims, the remainder of those funds, if any, shall be  
25 paid to the Attorney General's Office of Washington State as a cy pres fund for consumer  
26 education regarding the use and misuse of credit, including credit cards. Control over the cy

1 pres fund, and any awards made pursuant to it, shall be by the Attorney General's Office in  
2 accordance with the requirement that the cy pres funds be used for consumer education  
3 regarding the use and misuse of credit, including credit cards. Once this \$742,613 is paid,  
4 Freedom relinquishes any and all rights to this money.

5 In the event that the amount of all valid claims exceeds \$742,613, Freedom shall pay an  
6 amount of money, up to \$50,000 to cover the excess claims amount. If the valid claims exceed  
7 \$792,613 all valid claims will be paid on a *pro rata* basis. Should a *pro rata* distribution to  
8 consumers become necessary, Freedom shall pay such additional sums as prove necessary to  
9 ensure that each consumer's actual refund is not less than 82.5% of his or her eligible claim.

10 Only those who are considered Washington consumers shall be eligible for restitution  
11 under this Judgment. A "Washington consumer" for purposes of this Judgment and for  
12 purposes of this restitution program shall be defined as someone who at the time of contracting  
13 with Freedom was a Washington resident. To the extent that those people can be located by  
14 commercially reasonable means, this definition shall include consumers who were Washington  
15 residents at the time of contracting but who subsequently moved out of state, but it shall not  
16 include those who were residents of other states at the time of contracting but subsequently  
17 moved into Washington.

18 Eligible Consumers. Claims shall be allowed in accordance with these rules to these  
19 five groups of eligible consumers:

20 Group 1: persons who terminated their participation in Freedom's program before  
21 Freedom negotiated a proposed settlement of any of their enrolled debts;

22 Group 2: persons who did not complete Freedom's program but who terminated their  
23 participation in Freedom's program after Freedom negotiated a proposed settlement of one or  
24 more of their enrolled debts and whose net fees paid to Freedom exceed 15% of the enrolled  
25 debts, as measured at the time of enrollment, as to which a settlement was negotiated;

1 Group 3: persons who are still participating in Freedom's program as of 30 days from  
2 the date notice is sent to consumers and whose net fees paid to Freedom exceed 15% of the  
3 enrolled debts, as measured at the time of enrollment, that have either been settled or which are  
4 still in active debt negotiation programs;

5 Group 4: persons who are still participating in Freedom's program as of the date of this  
6 Consent Decree and Judgment but who terminate their participation prior to 30 days from the  
7 date notice is sent to consumers without having completed Freedom's program by that date;  
8 and

9 Group 5: persons who have completed Freedom's program and whose net fees paid to  
10 Freedom exceed 15% of the enrolled debts, as measured at the time of enrollment.

11 Amount of claim allowed to members in each group. Each eligible consumer shall be  
12 allowed to submit a claim for the following amount:

13 Group 1: the permissible claim for an eligible consumer in this group shall be the total  
14 amount of net fees paid by that customer to Freedom;

15 Group 2: the permissible claim for an eligible consumer in this group shall be equal to  
16 the net fees paid by that customer to Freedom minus 15% of the customer's enrolled debts, as  
17 measured at the time of enrollment, as to which a settlement was accepted by the customer;

18 Group 3: the permissible claim for an eligible consumer in this group shall be the net  
19 fees paid by that customer to Freedom minus 15% of the customer's enrolled debts, as  
20 measured at the time of enrollment, as to which a settlement was accepted by the customer or  
21 which is still in an active debt negotiation program;

22 Group 4: the permissible claim for an eligible consumer in this group shall be equal to  
23 the net fees paid by that customer to Freedom minus 15% of the customer's enrolled debts, as  
24 measured at the time of enrollment, as to which a settlement was accepted by the customer;  
25 and  
26

1 Group 5: the permissible claim for an eligible consumer in this group would be equal to  
2 the net fees paid by that customer to Freedom minus 15% of the customer's enrolled debts, as  
3 measured at the time of enrollment.

4 For purposes of this Judgment, the term "net fee" is defined as all fees paid by a  
5 customer to Freedom minus any fees previously refunded to that customer.

6 Hypothetical examples to illustrate claim calculations. These examples are for  
7 illustrative purposes:

8 Consumer A terminated after paying Freedom \$500 in fees, and before Freedom had  
9 time to negotiate proposed settlements. For purposes of this program, his claim would be  
10 \$500.

11 Consumer B enrolled \$30,000 in debt. Freedom negotiated settlements of \$10,000 of  
12 that debt before he terminated his participation in the program. He paid \$1,700 in fees prior to  
13 termination. For purposes of this program, his claim would be \$200. The calculation for this  
14 is as follows: \$1,700 in fees paid minus \$1,500, which represents 15% of the amount of  
15 enrolled debt settled as measured at the time of enrollment.

16 Consumer C enrolled \$40,000 in debt. Freedom helped the consumer settle \$20,000 of  
17 those debts before he terminated his participation in the program. He paid \$2,900 in fees prior  
18 to termination. For purposes of this program, he would have no claim, because the fees he paid  
19 were less than 15% of the enrolled debt settled.

20 Consumer D enrolled \$40,000 in debt. Freedom helped the consumer settle \$25,000 of  
21 those debts, \$11,000 of the enrolled debt is still in an active debt negotiation program as of 30  
22 days from the date notice is sent to consumers, and he removed \$4,000 of the enrolled debt  
23 from the program. He paid \$6,000 in fees. For purposes of this program, his claim would be  
24 \$600. The calculation for this is as follows: \$6,000 in fees paid minus \$5,400, which  
25 represents 15% of the amount of enrolled debt settled and enrolled debt still in an active  
26 negotiation program.

1 Consumer E enrolled \$40,000 in debt. He is still currently participating in the Freedom  
2 program but chooses to terminate his involvement prior to 30 days from the date notice is sent  
3 to consumers. At the time of his termination, Freedom has helped the consumer settle \$30,000  
4 of those debts, and the consumer had paid fees of \$5,000. For purposes of this program, his  
5 claim would be \$500. The calculation for this is as follows: \$5,000 in fees paid minus \$4,500,  
6 which represents 15% of the amount of enrolled debt settled.

7 Consumer F enrolled \$40,000 in debt. He has completed the Freedom program and all  
8 of the enrolled debt has been settled. He paid \$6,000 in fees. For purposes of this program, he  
9 would have no claim, because the fees paid do not exceed 15% of the enrolled debt settled.

10 Allocation of Refund Pool. Each eligible consumer who submits a valid claim, by  
11 returning an executed claim form within sixty days of notice having been sent (the "Claim  
12 Period") shall be a "Participant." Each Participant shall receive payment from the Refund Pool  
13 following the Claim Period. For a consumer claim to be valid, the claim form (substantially in  
14 the form attached hereto as Exhibits B-2 and B-3) must be completed and signed and all claims  
15 against Freedom Debt Relief, LLC relating to its debt reduction services must be released. The  
16 payment to each Participant shall be determined according to the following methodology:

17 (1) the total amount of all valid claims is calculated;

18 (2) if the total amount of all valid claims is \$742,613 or less, then each participant shall  
19 be paid the full amount of his claim, with the remainder of that sum reverting to the Attorney  
20 General's Office as a cy pres fund for consumer education regarding the use and misuse of  
21 credit, including credit cards;

22 (3) if the total amount of valid claims is between \$742,613 and \$792,613, then Freedom  
23 shall pay each Participant the full amount of his claim;

24 (4) if the total amount of valid claims exceeds \$792,613, then Freedom shall make *pro*  
25 *rata* payments to all Participants based on the amount of each Participant's claim.  
26

1 (5) Freedom agrees that should the valid claims be paid on a *pro rata* basis, it will pay  
2 such additional amounts necessary to ensure that each Participant shall receive no less than  
3 82.5% of his or her valid claim.

#### 4 IV. INJUNCTIVE PROVISIONS

5 Pursuant to RCW 19.86.080 and RCW 18.28.200, Freedom is enjoined from the  
6 following with respect to Freedom's business activities with Washington consumers. These  
7 injunctions apply not only to Freedom but also to its principals, officers, directors, managing  
8 agents, and anyone acting in concert or in active participation with them or directly or  
9 indirectly acting on their behalf with respect to Freedom's business activities in Washington  
10 State. To the extent that customer acquisition, marketing, advertising, lead generation,  
11 referrals and such are performed for Freedom by third-parties, Freedom shall be responsible for  
12 the representations and statements made by those third-parties.

13 1. Freedom shall not misrepresent the nature, benefits, risks, or any aspect of its  
14 program or services nor shall it engage in any unfair or deceptive act or practice.

15 2. Freedom's advertisements and promotional materials shall not suggest or imply  
16 that its program is for anyone who might simply wish to reduce their debt, but rather must be  
17 geared only to those who are already experiencing serious financial hardship and are unable to  
18 meet their current obligations.

19 3. Freedom shall not misrepresent any statistics relating to its negotiations on  
20 behalf of clients. All percentages used in its representations will be calculated using a  
21 percentage of the balance at the time of enrollment. If any other balance is used, Freedom  
22 shall clearly state that fact.

23 4. Freedom shall not misrepresent in any material respect the suitability of its  
24 program to potential clients. Freedom shall base its determination of suitability on the client's  
25 income and expense profile, which shall be based on data supplied to Freedom by the client.  
26 Freedom shall use client financial data to prepare a pro forma budget that will enable the client

1 to understand clearly his or her program deposit requirements and the company may use that  
2 information to determine whether its program is suitable for that client.

3 5. Clients will continue to own a separate federally insured account where they  
4 may accumulate money for the purpose of funding settlement payments to their respective  
5 creditors and for paying Freedom's fees, and will continue to open and maintain those accounts  
6 in their own names and not in Freedom's name.

7 6. At no time will Freedom have the authority to withdraw, transfer, or otherwise  
8 have control over any funds saved by clients in their respective accounts. This provision shall  
9 not impair or affect Freedom's ability to enter into settlement negotiations with creditors, to  
10 negotiate settlements on behalf of its clients or receive fees from such accounts.

11 7. Clients will continue to be notified of every recommended settlement obtained  
12 by Freedom on their behalf.

13 8. Clients shall expressly authorize any settlement over 50% of the debt as  
14 measured at the time of the settlement. Freedom may invite, but shall not require, clients to  
15 pre-authorize settlements for 50% or less of the debt as measured at the time of settlement. If a  
16 client does not give pre-authorization, then the client must expressly authorize each of the  
17 settlements in that range. In connection with this obligation, certain settlements may entail  
18 multiple payments over a period of time, and the client's initial approval of the settlement shall  
19 be sufficient to authorize the contemplated payments to follow and separate approvals shall not  
20 be necessary for each ensuing installment.

21 9. Clients will continue to make settlement payment to their respective creditors  
22 directly from their respective accounts and not through Freedom.

23 10. Clients will continue to have the ability to terminate the program at any time,  
24 without penalty or payment of additional program fees.

25 11. Freedom will continue to provide a copy of the written contract to each client.  
26

1           12.     Freedom shall not misrepresent in any material respect any bankruptcy, credit  
2 counseling or debt management program. Nothing in this provision shall be deemed to prohibit  
3 or restrict fact based comparisons among different debt relief option.

4           13.     Freedom shall accurately, clearly and conspicuously disclose prior to entering  
5 into an agreement with the client:

- 6           a.     That Freedom's program is predicated on the client not being able to  
7                   make any future payments to the client's creditors and the accounts  
8                   being or becoming delinquent.
- 9           b.     That it will take time, often six months or more, before the client has  
10                  saved enough money in his or her dedicated savings account to allow  
11                  Freedom to successfully negotiate the first settlement of a client's  
12                  account.
- 13          c.     Until a negotiated settlement is finalized, creditors may have the right to  
14                  continue to charge monthly interest, late fees, and any other charges  
15                  allowed under the credit agreement, thus increasing the size of the debt.
- 16          d.     That missing a minimum monthly payment to a creditor likely will be  
17                  reported to the debt reporting agencies and it will have an adverse  
18                  impact on the consumer's credit.
- 19          e.     That Freedom will continue working towards a settlement even if a  
20                  lawsuit is filed, although the settlement percentage may be higher, and a  
21                  lawsuit could result in a judgment against the client for the full amount  
22                  owed plus additional amounts such as court costs, attorneys fees, and  
23                  continuing interest.
- 24          f.     That a judgment may allow the creditor to garnish the debtor's wages  
25                  and bank accounts.
- 26

- 1           g.     That even where a creditor accepts a settlement after a judgment has  
2                been taken it may result in a settlement for the full amount of the  
3                judgment.
- 4           h.     That failure to make full and timely monthly contributions to the  
5                settlement savings account will seriously threaten the client's ability to  
6                complete or benefit from the program.
- 7           i.     That there are many possibilities outside of Freedom's control that might  
8                materially affect a client's ongoing ability to fund his or her settlement  
9                savings account in the future and those possibilities should be  
10              considered and evaluated by the client, among them being a future drop  
11              in income resulting, for example, from wage garnishment, job loss or a  
12              reduction in hours or an increase in expenses resulting, for example,  
13              from unanticipated medical needs.
- 14          j.     That Freedom may not encourage, represent, or imply that a consumer  
15                should discontinue making minimum monthly payments to creditors  
16                especially if the consumer has the capacity to make those payments, that  
17                the decision whether or not to stop making those payments, if they have  
18                not already stopped, rests solely with the consumer, and that Freedom's  
19                program is only for those who are already in financial hardship and  
20                unable to make their minimum monthly payments. Nothing in this  
21                provision shall prohibit Freedom from declining as a client anyone  
22                continuing to make his or her minimum monthly payments.
- 23          k.     Freedom's termination policies.
- 24          l.     How clients can obtain information about the status of their account.

25          14.    Contracts for Washington State consumers shall provide that Washington State  
26 law controls. With respect to current Washington State clients still enrolled in Freedom's

1 program, Freedom shall send a notice within 120 days of entry of this Judgment informing  
2 those clients that their contracts have been amended to be governed by Washington State law.

3 15. While the parties disagree over the enforceability of the mandatory arbitration  
4 clause, as well as the limitation on class actions clause, in Freedom's contracts, and without  
5 deciding which position is correct as a matter of law, the parties have agreed to resolve their  
6 dispute on this issue by providing that should a court hold that the arbitration clause is  
7 enforceable, then the maximum amount a consumer shall be required to pay in arbitration costs  
8 and fees is capped at \$500.

9 16. While Freedom may continue to service its existing clients, Freedom shall not  
10 accept new clients from Washington in its debt negotiation program or, other than permitted by  
11 this Judgment, operate in Washington State. Marketing of a national character which  
12 peripherally and incidentally touches Washington consumers but is not targeted to Washington  
13 consumers is allowed. If Freedom wishes in the future to return to the Washington market for  
14 purposes of new clients, regardless of its reason for doing so including but not limited to a  
15 modification or amendment to existing law or because of a judicial ruling, then at least 30 days  
16 prior to returning it shall notify the Attorney General Office of its intent and indicate when it  
17 will begin active operations in Washington. In any event, Freedom shall continue to be bound  
18 by each of the injunctive terms of this Judgment unless a modification to it has been granted  
19 pursuant to Section XV.

#### 20 **V. AWARD OF COSTS AND ATTORNEY FEES**

21 Freedom shall pay \$70,000 as costs and attorneys fees to the Attorney General's Office.  
22 The timing and manner of this payment shall be as provided for in Section VII.

#### 23 **VI. ADMINISTRATION OF THE REFUND PROGRAM**

24 The administration of the Refund Program shall be governed by the provisions in  
25 Sections 2.8 and 3 of the settlement agreement in *Carlsen et al. v. Freedom Debt Relief, LLC*,  
26 *et al.*, Case No. CV-09-00055-LRS (E.D. Wash.) ("Class Settlement"). Pursuant to Sections

1 2.8(b), (c), (d) and 3.1 of the Class Settlement, Class Counsel shall provide Notice of Pendency  
2 and Proposed Settlement of Class Action in substantially the form of Exhibit B-1 ("Notice")  
3 which will consist of notice to consumers of this Judgment and the proposed settlement of the  
4 Class Action. The Notice shall include the individual Proof of Claim ("Claim Form") in  
5 substantially the form attached as Exhibits B-2 and B-3. Within fourteen (14) days of the  
6 District Court's entry of an order granting preliminary approval of the Class Settlement,  
7 Freedom shall supply to Class Counsel the fee and debt settlement data necessary for  
8 generation of the individualized Claim Forms. Freedom shall contemporaneously provide a  
9 copy of that same information to the Washington Attorney General's office. Class Counsel  
10 shall send the Notice within twenty-one (21) days of the District Court's entry of an order  
11 granting preliminary approval of the Class Settlement as set forth in Sections 3.1 and 3.2 of the  
12 Class Settlement and Exhibit B thereto.

13 Pursuant to Section 2.8(d) of the Class Settlement, Freedom shall supply a sworn  
14 certification to the Washington State Attorney General's office attesting to the payment of  
15 valid claims, after completion of the refund program and payment by Freedom of all valid  
16 claims.

17 Upon reasonable notice, Freedom will provide such information that the Attorney  
18 General's office may request regarding the status and administration of the Refund Pool.

19 In the event that the Class Settlement is not approved by the District Court, or does not  
20 become final (in accordance with the terms of the Class Settlement) for some other reason,  
21 Freedom shall administer the Refund Program at no cost to the Washington Attorney General's  
22 office. Representatives of Freedom and the Washington State Attorney General shall meet and  
23 agree on a mutually acceptable method for administering the Refund Program which would  
24 include distributing a new notice of settlement and requiring return of additional claim and  
25 release forms from eligible Washington consumers.

1 **VII. TIMING AND MANNER OF PAYMENTS**

2 Within thirty (30) days of the entry of this Judgment, Freedom shall pay \$70,000 to the  
3 Washington State Attorney General's Office by check made payable to the "Attorney General-  
4 State of Washington" and shall be mailed or delivered to the Office of the Attorney General,  
5 Consumer Protection Division, 800 Fifth Avenue, Suite 2000, Seattle, Washington 98164-  
6 1012, attention Cynthia Lockridge, unless other agreed to in writing by the State. This amount  
7 shall consist of the payment allocated in this Judgment as costs and attorney's fees (\$70,000).

8 Within thirty (30) days of the entry of this Judgment, Freedom shall establish a separate  
9 bank account in which it will deposit the sum of \$1,000,000 to be used as the Refund Pool and  
10 to satisfy the payments described in this Judgment and the payments described in paragraphs  
11 2.1, 2.2, 2.3, 2.4, 2.6 and 2.7 of the Class Settlement. In the event that such payments are  
12 insufficient to satisfy those payments, Freedom will pay the additional amounts necessary to  
13 satisfy this deficiency. In the event that the total of all such payments Freedom is obligated to  
14 make is less than the amount deposited, any such residual shall be returned to Freedom.

15 Freedom's failure to make timely payment, without a written agreement by the State,  
16 shall be a material breach of this judgment.

17 **VIII. NO CIVIL PENALTIES**

18 The parties agree that civil penalties will not be imposed in connection with any matter  
19 addressed herein.

20 **IX. GENERAL PROVISIONS**

21 This Judgment shall be governed by the laws of the State of Washington.

22 This court has jurisdiction over the subject matter of this action and over Freedom.

23 Venue is proper in King County Superior Court, sufficient acts of Freedom having  
24 occurred in King County and Freedom having done business with residents of King County.  
25  
26

1 This Judgment is entered into by the parties as their own free and voluntary act and  
2 with full knowledge and understanding of the nature of the proceedings and the obligations and  
3 duties imposed by this Judgment.

4 This Judgment does not constitute an approval by the Washington State Attorney  
5 General's Office of any of Freedom's business practices, including its promotional or  
6 marketing practices or its compensation regime, and Freedom shall make no representation or  
7 claim to the contrary.

8 Freedom waives any right to appeal from this Judgment. Freedom agrees it will not  
9 oppose entry of the Judgment on the grounds that it fails to comply with any provision of Civil  
10 Rule 65.

11 This court shall retain jurisdiction for purposes of implementing and enforcing the  
12 terms and conditions of this Judgment.

### 13 X. RELEASE

14 Based upon its investigation into Freedom's promotional, marketing, and operational  
15 practices and the amount, manner, and timing of its compensation from Washington  
16 consumers, the Attorney General Office has concluded that this Judgment is the appropriate  
17 resolution of any and all alleged violations of the Consumer Protection Act and the Debt  
18 Adjusting Act.

19 In consideration of the payment of the consumer restitution and cy pres, the attorney's  
20 fees and costs, the costs of administering the restitution program, and consent to the injunctive  
21 provisions, the State releases to the fullest extent permitted by law, Freedom and all of its past  
22 and present officers, directors, shareholders, employees, affiliates, subsidiaries, affiliates,  
23 predecessors, assigns and successors from all civil claims, causes of action, costs and penalties  
24 under the above-cited statutes for the matters under investigation. Such release by the State is  
25 in addition to, and does not in any way limit, the releases provided for in the Class Settlement  
26 or, if necessary, individual releases from consumers.

1                                   **XI.     NO ADMISSION OF LIABILITY**

2           This Judgment does not constitute an admission by Freedom for any purpose, of any  
3 fact, or of a violation of any state law, nor does this Judgment constitute evidence of any  
4 liability, fault, or wrongdoing. Freedom enters into this Judgment for the purpose of resolving  
5 the concerns of the Attorney General regarding Freedom's business operations and the fees  
6 charged for participation in its debt negotiation program. Freedom does not admit any  
7 violation of the Consumer Protection Act or of the Debt Adjusting Act, and does not admit any  
8 wrongdoing that could have been alleged by the Attorney General.

9           This Judgment shall not be construed or used as a waiver or any limitation of any  
10 defense otherwise available to Freedom in any other litigation, including but not limited to  
11 *Carlsen, et al. v. Freedom Debt Relief, LLC, et al.*, United States District Court, Eastern  
12 District of Washington, Case number CV-09-00055-LRS, and *Estrella, et al. v. Freedom*  
13 *Financial Network, LLC, et al.*, United States District Court, Northern District of California,  
14 Case number 09-03156 SI. This Judgment is made without trial or adjudication of any issue of  
15 fact or law or finding of liability of any kind. Nothing in this Judgment, including this  
16 paragraph, shall be construed to limit or to restrict Freedom's right to assert and maintain all  
17 available defenses.

18                                   **XII.     DISPUTES REGARDING COMPLIANCE**

19           For the purposes of resolving disputes with respect to compliance with this Judgment,  
20 should the Attorney General have cause to believe that Freedom has violated a provision of  
21 this Judgment after its entry, then the Attorney General shall notify Freedom in writing of the  
22 specific objection, and give Freedom fifteen (15) business days to respond to the notification  
23 and to cure any alleged violation prior to taking action regarding that alleged violation;  
24 provided, however, that the Attorney General may take any action where the Attorney General  
25 concludes that, because of the specific practice, a threat to the health, safety or general welfare  
26 of the public requires immediate action. It is contemplated that both parties will evidence good

1 faith in attempting to furnish all relevant and useful information necessary to resolve any  
2 concern of the Attorney General, and that a substantive in-person meet and confer opportunity  
3 will be made for a meeting in this jurisdiction during the fifteen (15) days.

#### 4 **XIII. PENALTIES FOR FAILURE TO COMPLY**

5 The State may assert a claim that Freedom has violated this Judgment in a separate civil  
6 action to enforce this Judgment, or to seek any other relief afforded by law. The State may also  
7 seek to enforce this Judgment, including any provision in it, by motion in this court which is  
8 retaining jurisdiction for purposes of enforcement of this Judgment. In any such action or  
9 proceeding, relevant evidence of conduct that occurred before the Effective Date shall be  
10 admissible on any material issue, including alleged willfulness, intent, knowledge, contempt or  
11 breach, to the extent permitted by law. Freedom does not waive any objection it may have to  
12 the admissibility of any such evidence, as permitted by law.

#### 13 **XIV. COMPLIANCE WITH ALL LAWS**

14 Except as expressly provided in this Judgment, nothing in this Judgment shall be  
15 construed as:

- 16 a. relieving Freedom of its obligation to comply with all current or future  
17 applicable state laws, regulations or rules, or granting permission to  
18 engage in any acts or practices prohibited by such law, regulation or  
19 rule; or
  - 20 b. limiting or expanding in any way any right the State may otherwise have  
21 to obtain information, documents or testimony from Freedom pursuant  
22 to any applicable state law, regulation or rule, or any right Freedom may  
23 otherwise have to oppose any subpoena, civil investigative demand,  
24 motion, or other procedure issued, served, filed, or otherwise employed  
25 by the State pursuant to any such state law, regulation, or rule.
- 26

1 **XV. MODIFICATION**

2 In the event that applicable law, including federal law, is changed, modified, or  
3 clarified either through future appellate case law, a legislative enactment or promulgation of a  
4 rule or regulation by a state or federal agency with appropriate regulatory authority, or by  
5 stipulation of the parties, then either party shall be allowed upon proper notice and for good  
6 cause to petition or move this court for modification of the injunctive provisions of this  
7 Judgment. Good cause shall exist if future law disallows that which this Judgment requires or  
8 if it specifically permits that which this Judgment prohibits.

9 **IT IS SO ADJUDGED AND ORDERED.**

10 DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2011.


11  
12 \_\_\_\_\_  
SUPERIOR COURT JUDGE/COMMISSIONER


13 Approved for Entry and Presented By:

Approved for Entry, Notice of Presentation  
Waived:

14  
15 ROB MCKENNA  
Attorney General

FREIMUND JACKSON TARDIF &  
BENEDICT GARRATT, PLLC

16   
17 \_\_\_\_\_  
18 ROBERT LIPSON, WSBA #11889  
Senior Counsel  
Attorneys for Plaintiff  
19 State of Washington

20   
21 \_\_\_\_\_  
22 SALLY GUSTAFSON GARRATT, WSBA #7638  
23 KEVIN P. MUCK, FENWICK & WEST LLP  
24 Attorneys for Freedom Debt Relief, LLC  
25  
26

Approved by:

\_\_\_\_\_  
Freedom Debt Relief, LLC

\_\_\_\_\_  
Printed Name/Title

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**XV. MODIFICATION**

In the event that applicable law, including federal law, is changed, modified, or clarified either through future appellate case law, a legislative enactment or promulgation of a rule or regulation by a state or federal agency with appropriate regulatory authority, or by stipulation of the parties, then either party shall be allowed upon proper notice and for good cause to petition or move this court for modification of the injunctive provisions of this Judgment. Good cause shall exist if future law disallows that which this Judgment requires or if it specifically permits that which this Judgment prohibits.

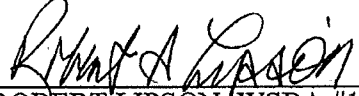
**IT IS SO ADJUDGED AND ORDERED.**

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
SUPERIOR COURT JUDGE/COMMISSIONER

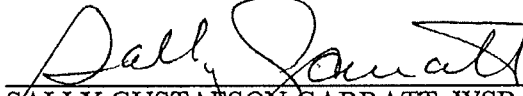
Approved for Entry and Presented By:

ROB MCKENNA  
Attorney General


  
\_\_\_\_\_  
ROBERT LIPSON, WSBA #11889  
Senior Counsel  
Attorneys for Plaintiff  
State of Washington

Approved for Entry, Notice of Presentation  
Waived:

FREIMUND JACKSON TARDIF &  
BENEDICT GARRATT, PLLC

  
\_\_\_\_\_  
SALLY GUSTAFSON GARRATT, WSBA #7638  
KEVIN P. MUCK, BENWICK & WEST LLP  
Attorneys for Freedom Debt Relief, LLC

Approved by:

  
\_\_\_\_\_  
Freedom Debt Relief, LLC  
ROBERT LINDERMAN  
Printed Name/Title GENERAL COUNSEL

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF WASHINGTON

CHAD M. CARLSEN and SHASTA L.  
CARLSEN, husband and wife; and  
BARBARA HULSE; each individually and on  
behalf of a Class of similarly situated  
Washington residents,

Plaintiffs,

v.

FREEDOM DEBT RELIEF, LLC, a Delaware  
limited liability company; FREEDOM  
FINANCIAL NETWORK, LLC, a Delaware  
limited liability company; ANDREW  
HOUSSEY, a resident of California; and  
BRADFORD STROH, a resident of California,

Defendants.

NO. CV-09-055-LRS

**OFFICIAL COURT NOTICE OF  
PRELIMINARY APPROVAL OF CLASS  
ACTION SETTLEMENT AND HEARING RE  
FINAL APPROVAL**

**CLASS ACTION NOTICE**

**TO: ALL STATE OF WASHINGTON RESIDENTS WHO HAVE EXECUTED A DEBT  
REDUCTION AGREEMENT WITH FREEDOM DEBT RELIEF, LLC, AND/OR FREEDOM  
FINANCIAL NETWORK, LLC**

If you are a Washington consumer and entered into a Debt Reduction Agreement with Freedom Debt Relief, LLC ("FDR") and/or Freedom Financial Network, LLC ("FFN"), this notice affects your rights. This notice relates to a proposed settlement of a class action lawsuit against FDR and/or FFN. Please read this Court-ordered Class Action Notice carefully and in its entirety.

A class action lawsuit is pending in the United States District Court, Eastern District of Washington, entitled *Carlson, et al. v. Freedom Debt Relief, LLC, et al.*, Case Number CV-09-055-LRS. On March 26, 2010, the Federal Court made a determination that this action may be maintained as a class action. Notice of class certification was thereafter given beginning May 24, 2010. The Class consists of:

ALL STATE OF WASHINGTON RESIDENTS WHO HAVE EXECUTED  
A DEBT REDUCTION AGREEMENT WITH FDR AND/OR FFN.

Excluded from the Class are FDR and FFN, its subsidiaries and affiliates, predecessors, and their current and former employees, officers, directors, partners, members, indemnitees, agents, attorneys and their employees and their assigns and successors, and the Court and its past and present employees and staff and any entity having a presently-pending action against FDR/FFN relating to a Debt Reduction Agreement. Also excluded from the Class are individuals who previously filed a timely and valid Exclusion Request Form pursuant to the class certification notice previously provided in this action.

A proposed Class Settlement has been achieved in this action. Class Representatives and Class Counsel have judged the Class Settlement to be fair, adequate, reasonable, and in the best interests of the Class. The Court, further, has now made a preliminary determination that the Class Settlement is within the range of reasonableness.

By order of the Court, this notice is given to inform Class Members of the Court's preliminary decision to give approval to the Class Settlement, to advise Class Members of the basic terms of the Class Settlement, to notify Class Members of their rights with respect to the Class Settlement, and to give notice of a final fairness hearing where the Court will give consideration to final approval of the Class Settlement.

The factual statements in this Notice are based on information provided to the Court by the parties and do not constitute findings of the Court on the merits of the claims or defenses asserted by any of the parties. This Notice is only intended to inform you of your rights relating to the litigation and the proposed settlement.

### **THE LITIGATION**

A class action lawsuit was filed on February 27, 2009, in the United States District Court, Eastern District of Washington, by Plaintiffs on behalf of the above-defined Class and against FDR and FFN, as well as certain officers of those companies. The Complaint alleges that FDR and FFN charged consumers excessive and illegal fees in violation of Washington's Debt Adjusting Statute and Consumer Protection Act. Defendants deny any liability with respect to the allegations of the Complaint.

### **SUMMARY OF PROPOSED CLASS SETTLEMENT**

The complete terms of the settlement are contained in the Class Settlement Agreement. You may obtain a complete copy of the Class Settlement Agreement by visiting [www.thescottlawgroup.com/freedomdebtrelief](http://www.thescottlawgroup.com/freedomdebtrelief) or by calling 1-888-955-3966. The following is a brief summary of key terms of the settlement:

- FDR/FFN will pay the sum of \$742,613 into a Refund Pool, in accordance with a Consent Decree between FDR/FFN and the Washington State Attorney General's Office.
- Funds placed into the Refund Pool will be distributed to eligible Class Members. The amount of a Class Member's eligible refund will be determined in accordance with the eligibility requirements contained in Section III of Consent Decree. You may obtain a copy of the Consent Decree by visiting [www.thescottlawgroup.com/freedomdebtrelief](http://www.thescottlawgroup.com/freedomdebtrelief) or by calling 1-888-955-3966.
- If total eligible Class Member refunds exceed \$742,613, FDR/FFN have agreed to pay up to an additional \$50,000 to cover the excess claim amount. If total eligible Class Member refunds exceed \$792,613, FDR/FFN have agreed to refund such additional amounts as may be necessary to ensure that each eligible Class Member's actual refund is not less than 82.5% of their eligible refund amount.
- FDR/FFN will be bound by certain business practice Injunctive Provisions contained in Section IV of the Consent Decree.

• FDR/FFN will pay reasonable attorney fees and costs of litigation of Class Counsel as determined by the Court. Class Counsel's attorney fees and costs of litigation will not be paid from or reduce Class Member's refunds.

• If the Court determines that a monetary stipend should be awarded to Class Representatives, FDR/FFN will pay the stipend authorized by the Court.

#### **CLASS MEMBER ELIGIBILITY FOR PAYMENT**

To be eligible for a refund from the Refund Pool, Class Members must execute and timely return a Claim Form. A Claim Form accompanies this Notice. **The executed Claim Form must be postmarked no later than \_\_\_\_\_.**

#### **MEMBERS OF THE CLASS HAVE THE FOLLOWING RIGHTS**

1. If you wish to participate in the Class Settlement and receive a refund from the Refund Pool, you must sign and timely return the enclosed Claim Form. Additional Claim Forms may be obtained by calling Class Counsel at 1-888-955-3966. **Claim forms must be returned to:**

**The Scott Law Group, P.S.  
926 W. Sprague Avenue, Suite 680  
Spokane, WA 99201**

**Executed Claim Forms must be returned postmarked no later than \_\_\_\_\_, 2011.**

2. You may comment on or object to the proposed Class Settlement. The procedures for timely commenting or objecting are explained below.
3. You may enter an appearance through your own individual counsel. You will be responsible, however, for fees and expenses of your own individual counsel.

#### **FAIRNESS HEARING AND RIGHT TO APPEAR**

The Court will hold a Fairness Hearing on \_\_\_\_\_, 2011, at \_\_\_\_\_ a.m./p.m., in the Courtroom of the Honorable Lonny R. Suko, William O. Douglas U.S. Courthouse, 25 South Third Street, Yakima, Washington. At that time, the Court will determine (1) whether the proposed Class Settlement Agreement should be approved as fair, reasonable, and adequate and in the best interests of the Class as a whole; (2) the amount of reasonable attorney fees and costs to be paid by FDR/FFN, and whether a stipend should be awarded to the Class Representatives; and (3) any other matter deemed appropriate by the Court. The Court may adjourn or continue the Fairness Hearing without further notice to the Class.

You are not required to appear at the Fairness Hearing. However, if you wish to appear at the Fairness Hearing and be heard orally in support of, or in opposition to, any aspect of the Class Settlement, you may do so if you file with the Clerk of the United States District Court,

Eastern District of Washington, a written notification of your desire to appear personally, indicating (if in opposition to the Class Settlement) briefly the nature of your comment or objection. If you wish to comment on or object to any aspect of the Class Settlement, you may also do so by submitting a written statement. Any such notification or written statement must be postmarked not later than \_\_\_\_\_, 2011, and indicate that it is in reference to *Carlsen, et al. v. Freedom Debt Relief, LLC, et al.*, Case Number CV-09-055-LRS. Your written notification or statement must be sent to United States District Court, Eastern District of Washington, P.O. Box 1493, Spokane, WA 99210. A copy of the notification or statement must also be sent, by the same postmark date, to: (1) Darrell W. Scott, The Scott Law Group, P.S., 926 W. Sprague Avenue, Suite 680, Spokane, WA 99201 (Class Counsel); and (2) Kevin P. Muck, Fenwick & West LLP, 555 California Street, 12<sup>th</sup> Floor, San Francisco, CA 94104 or Gregory Jackson, Freimund Jackson Tardif & Benedict Garratt, PLLC, 711 Capitol Way S., Suite 605, Olympia, WA 98501 (FDR/FFN Counsel).

Unless otherwise ordered by the Court, any member of the Class who does not comply with the procedures and deadlines stated in this Notice will not be entitled to be heard at the Fairness Hearing, or otherwise to contest the approval of the Class Settlement, or to appeal from any orders or judgments of the Court entered in this case.

If the Court grants approval of the Class Settlement, the judgment will be binding on all Class Members and will constitute a full and complete release of Class Members' claims against Defendants as provided for in the Class Settlement Agreement.

#### **EXAMINATION OF PAPERS AND INQUIRIES**

This notice contains only a summary of the terms of the Class Settlement Agreement. For a more detailed statement of the matters involved in this litigation, Class Members are referred to the pleadings, to the Class Settlement Agreement, and to other papers filed in this action, which may be inspected at the Office of the Clerk of the United States District Court, Eastern District of Washington, 920 West Riverside Avenue, Spokane, Washington. Current information is also available by calling the following toll-free telephone number: 1-888-955-3966 or by visiting the FDR/FFN Class Action web site:

[www.thescottlawgroup.com/freedomdebtrelease](http://www.thescottlawgroup.com/freedomdebtrelease)

If you wish to communicate with Class Counsel, you may do so by writing to Class Counsel, Darrell W. Scott, The Scott Law Group, P.S., 926 W. Sprague Avenue, Suite 680, Spokane, WA 99201; fax: (509) 455-3966; email: [scottgroup@mac.com](mailto:scottgroup@mac.com).

**Do not address any questions to the Court, the Clerk of the Court, FDR/FFN or FDR/FFN's counsel about the proposed Class Settlement. They are not permitted under Court rules to answer any questions or provide legal advice regarding the Class Settlement or your rights thereunder.**

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

BY ORDER OF THE COURT

## CLAIM FORM A

Freedom Debt Relief's records reflect that you are a former client of Freedom Debt Relief who resided in the state of Washington at the time you executed a Debt Reduction Agreement with Freedom Debt Relief.

Under the terms of the Class Settlement and Consent Decree, and in accordance with the Consent Decree between the Washington Attorney General's Office and Freedom Debt Relief, your Eligible Claim Amount is calculated as follows:

Total unreimbursed fees paid to FDR:	\$ <u>xxxxxxx</u>
15% of enrolled debt settled by FDR:	\$ <u>xxxxxxx</u>
Eligible Claim Amount:	\$ <u>xxxxxxx</u>

If you believe that any of the above figures are inaccurate, you should immediately contact Class Counsel at:

The Scott Law Group, P.S.  
926 W. Sprague Avenue, Suite 680  
Spokane, WA 99201  
Phone: (509) 455-3966  
Toll Free: 1-888-955-3966  
Email: scottgroup@mac.com

In the event that the Refund Pool is sufficient to pay all timely returned claim forms, you are entitled to a payment of \$ xxxxxxx. In the event the Refund Pool is insufficient to pay all timely returned claims forms, you are entitled to a pro rata award based on this amount, and which, in no event, will be less than 82.5% of your Eligible Claim Amount as set forth in the Class Settlement Agreement.

To receive an award you must fully execute and return this Claim Form by \_\_\_\_\_. By agreement between the Attorney General's Office, Freedom Debt Relief and Class Counsel, refunds for Washington consumers are being administered by Class Counsel. The fully executed Claim Form must be returned to:

Class Counsel  
The Scott Law Group, P.S.  
926 W. Sprague Avenue, Suite 680  
Spokane, WA 99201

---

As a former client of Freedom Debt Relief, LLC, I hereby make a claim for the Eligible Claim Amount shown above. I understand when I receive the check, I must cash or deposit it within 90 days of the date of issuance or the check will no longer be honored.

Signature: \_\_\_\_\_  
[Class Member's Name]

Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
[Class Member's Name]

Date: \_\_\_\_\_

## CLAIM FORM B

Freedom Debt Relief's records reflect that you are a current client of Freedom Debt Relief who resided in the state of Washington at the time you executed a Debt Reduction Agreement with Freedom Debt Relief.

Your Eligible Claim Amount will be calculated as of \_\_\_\_\_, and in accordance with the Consent Decree in this class action and the Consent Decree between the Washington State Attorney General's Office and Freedom Debt Relief. The amount of your claim will vary, depending on the total fees you have paid as of that date, the total debt settlements you have approved by that date, and whether you have elected to continue participation in the program beyond that date.

In the event the Refund Pool is insufficient to pay all timely returned claims forms, your entitlement will be pro rata based on your Eligible Claim Amount, and which, in no event, will be less than 82.5% of your Eligible Claim Amount as set forth in the Class Settlement Agreement.

To receive an award you must fully execute and return this Claim Form by \_\_\_\_\_. By agreement between the Attorney General's Office, Freedom Debt Relief and Class Counsel, refunds for Washington consumers are being administered by Class Counsel. The fully executed Claim Form must be returned to:

Class Counsel  
The Scott Law Group, P.S.  
926 W. Sprague Avenue, Suite 680  
Spokane, WA 99201

I hereby make a claim in accordance with the terms of the Class Settlement and Consent Decree. I understand that, should I receive an award, I must cash or deposit the check within 90 days of the date of issuance or the check will no longer be honored.

Signature: \_\_\_\_\_  
[Name]

Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
[Name]

Date: \_\_\_\_\_